

Arizona Water Banking Authority

1110 W. Washington Street, Phoenix, Arizona 85007

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AUTHORITY MEMBERS

Thomas Buschatzke, Chair

Ray L. Jones, Vice-Chair

Kathryn A. Sorensen, Secretary

Pamela Pickard

Mark Clark

EX OFFICIO MEMBERS

The Honorable Gail Griffin

The Honorable J.D. Mesnard

March 27, 2018

Board of Directors President Lisa Atkins
Central Arizona Water Conservation District
PO Box 43020
Phoenix, Arizona 85080-3020

RE: Request to Postpone Decision on Transfer of Water Storage Tax

Dear Ms. Atkins:

The Arizona Water Banking Authority (AWBA) appreciates the presentation given by Douglas Dunlap, CAWCD Finance Manager, at the March 21, 2018 AWBA meeting concerning the estimated decommissioning costs of the Navajo Generating Station and the proposal to transfer \$41 million in Maricopa County four-cent *ad valorem* water storage tax funds to Decommissioning Reserve Fund to meet those costs. While the rationale for transferring the funds was explained in the presentation, the AWBA needs additional time to fully evaluate and understand all the implications of the transfer on the AWBA and CAP customers.

At this time, CAWCD has \$82 million in its Extraordinary Reserve Fund available for decommissioning purposes. According to the presentation, the additional funds are not needed in the immediate future, and therefore likely that no harm would result in allowing additional discussion to occur. Accordingly, with the exception of Commission member Pamela Pickard who has recused herself from this issue, the AWBA respectfully requests the Board postpone its decision on the transfer of the four-cent *ad valorem* water storage tax funds to the Decommissioning Reserve Fund until its May meeting. This will allow the AWBA time to discuss the matter and determine if a special meeting is needed in order to provide a recommendation in time for the Board's May meeting.

Thank you for your consideration.

Sincerely,

Thomas Buschatzke
Chair

c: AWBA Members



March 30, 2018

Ms. Virginia O'Connell
Arizona Water Banking Authority
1110 W Washington St
Phoenix AZ 85007

Dear Ms. O'Connell:

Board President Lisa Atkins has forwarded to me Director Buschatzke's March 27 letter regarding AWBA's request to postpone the CAWCD Board's decision to transfer \$41 million of Maricopa County 4-cent tax funds to the NGS Decommissioning reserve.

Before President Atkins considers Director Buschatzke's request, she has asked me to identify possible impacts or concerns the AWBA may need to consider that would be relevant to the CAWCD Board's decision and consequently require more time.

The decision before the CAWCD Board is timely, and President Atkins wants to carefully consider any request for further delay. We have already embarked on our biennial rate-setting and annual property tax processes, and our customer workshop and FAP meeting to set preliminary rates are coming up in April, as required by CAP policy. We would like to have a clearer picture of the tax and reserves situation before that begins. As you know, the discussion of a growing 4-cent tax balance while CAWCD Strategic Reserves have been declining to pay for O&M and Repayment has been a concern of the CAWCD Board for number of years. The topic of unfunded obligations, including a shortfall in funding for NGS Decommissioning has been discussed by the CAWCD Board since last fall, and the specific topic of transfers of 4-cent funds to NGS Decommissioning has been going through CAWCD's two-step process in both the Finance, Audit and Power Committee and Board for the last two months.

I am asking for your help to identify what items related to the CAWCD Board's pending decision on this transfer need to be considered by AWBA. To my knowledge, all current funding requests for AWBA statutory responsibilities for which the use of 4-cent tax is authorized (purchase of CAP excess water and long-term storage credits) have been honored. In 2017, CAWCD delivered 17,360 acre-feet of water to AWBA and transferred \$17.3 million in 4-cent tax funds for the purchase of LTSCs in Maricopa and Pima County. For 2018, CAWCD plans to deliver 38,000 acre-feet to AWBA and has reserved \$3.62 million in 4-cent tax funds for the purchase of LTSCs by AWBA in Maricopa County under the IGA among CAWCD, AWBA and ADWR.

Even after CAWCD transfers \$41 million for NGS Decommissioning, CAWCD estimates that there will be sufficient funds remaining in the CAWCD 4-cent tax reserves to fund the balance of the Maricopa County M&I firming goal without collecting another cent of tax. Through CAP water orders and the IGA, AWBA has access to up to \$20 million of 4-cent tax collected every year going forward. Assuming that all of the future tax collected in Pima and Pinal Counties is needed to fund the M&I firming obligations for those counties, the remaining future tax that could be collected in Maricopa County is sufficient to fund any shortfall against Pima County and Pinal County firming goals with tens of millions of dollars in taxing capacity to spare, even if the M&I firming goals increase over time. I acknowledge that AWBA does not want to, or, in some instances, cannot use Maricopa funds for other counties.

Consequently, I am at a loss for being able to give President Atkins any considerations AWBA might have that are relevant to the CAWCD Board's decision to transfer that require more time, other than AWBA prefers that CAWCD reserve these funds for unidentified needs over and above the AWBA duties currently specified by statute. If you are aware of anything specific that can help me advise President Atkins in her consideration of the request for postponement, I would appreciate it if you could bring those to my attention.

Best Regards,



Theodore C. Cooke
General Manager

Arizona Water Banking Authority

1110 W. Washington Street, Phoenix, Arizona 85007

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The Honorable Gail Griffin

The Honorable J.D. Mesnard

April 3, 2018

President Lisa Atkins

Central Arizona Water Conservation District

PO Box 43020

Phoenix, Arizona 85080-3020

Dear President Atkins:

I have been forwarded a copy of the letter, dated March 30, 2018, from Ted Cooke to Virginia O'Connell regarding the Arizona Water Banking Authority's (AWBA) request to you that the CAWCD Board postpone its decision on whether to transfer \$41 million in Maricopa County four-cent *ad valorem* water storage tax funds into the NGS Decommissioning Reserve Fund until the Board's May meeting. The purpose of this request was to allow AWBA more time to discuss the matter and determine whether a special AWBA meeting is needed to provide a recommendation to the CAWCD Board.

Because these monies were reserved expressly for AWBA use, it is reasonable for the AWBA to be given the additional time to evaluate and understand the implications of such action on the AWBA and its constituents and, if appropriate, make a recommendation to the CAWCD Board. According to Mr. Doug Dunlap, the additional funds are not needed in the immediate future and as such there should be no reason to deny additional time for the AWBA Commission to consider this important matter.

Additionally, section 6.1(b) of the 2009 Intergovernmental Agreement among the Arizona Department of Water Resources, the AWBA and CAWCD (IGA) states that CAWCD and the AWBA agree to meet and confer periodically throughout the year to discuss CAWCD's annual water storage tax levy and the disbursement of monies collected under that tax pursuant to A.R.S. § 48-3715.03. CAWCD's Finance, Audit and Power Committee's recommendations to rescind past resolutions and transfer to CAWCD funds that were reserved for AWBA's use were made without any prior discussion with the AWBA. Approval of those recommendations by CAWCD's Board without conferring with the AWBA does not comply with section 6.1(b) of the IGA.

The IGA and its effectiveness were discussed this past summer in the Governor's Water Solutions conversations. CAWCD staff assured the group that the IGA was functioning properly. In this instance that was not the case. An extension of time is clearly warranted so that the meet and confer provision of the IGA is followed.

Sincerely,

Thomas Buschatzke
Chair

cc: AWBA Members

Virginia O'Connell, AWBA Manager

Ted Cooke, CAWCD General Manager